

Message Text

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ACTION AF-10

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C O N F I D E N T I A L MONROVIA 0753

E.O. 11652 GDS

TAGS: EINV, ENRG, LI

SUBJECT: LIBERIA REFINING COMPANY (LRC)

REF: (A) MONROVIA 427, (B) 1977 MONROVIA 8821

1. MR. JOHN WOLF, SENIOR VICE PRESIDENT OF CHEMICAL BANK, WHO TRAVELS FREQUENTLY BETWEEN MONROVIA AND NEW YORK TO LOOK OVER HIS BANK'S INTEREST IN THE BANK OF LIBERIA, SUPPLIED E/C COUNSELOR WITH THE MISSING PIECES IN THE 3-RING REFINERY NEGOTIATIONS. IN THE FIRST RING, HE SAID, IS SUN/DYNALECTRON, AWAITING THE OUTCOME OF NEGOTIATIONS BETWEEN THE GOL AND COASTAL STATES GAS CORPORATION, AND THE NEW COMER, COMBUSTIAN ENGINEERING LUMMUS (C-E LUMMUS). ACCORDING TO WOLF, SUN/DYNALECTRON FOUND THE AUDIT OF LRC'S BOOKS CONDUCTED BY COOPERS AND LYBRAND NOT VERY HELPFUL SINCE THEY WERE IN POOR SHAPE. WOLF THOUGHT THAT SUN/DYNALECTRON IS HOPING THAT COASTAL STATES WILL GET THE REFINERY CONCESSION SINCE THEY FEEL THEY HAVE A BETTER CHANCE OF GETTING THE \$9 MILLION, THAT WOULD BE PART OF THE SETTLEMENT PACKAGE ALREADY AGREED WITH THE GOL. SUN/DYNALECTRON SEEMS TO FEEL THAT THE DEBT INSTRUMENT REPRESENTING THE BALANCE DUE THEM AFTER A CASH SETTLEMENT WOULD BE SELF-LIQUIDATING THROUGH PAYMENT FROM EARNINGS OF THE PROPOSED NEW REFINERY COMPANY.

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2. WOLF INDICATED THAT COASTAL STATES IS IN THE SECOND RING, STILL TRYING TO GET THE REFINERY CONCESSION. COASTAL STATES REP DONALD EDENS RECENTLY INFORMED EMBOFF THAT HIS CHAIRMAN OSCAR WYATT DURING TWO DAYS OF NEGOTIATIONS DURING WEEK OF JANUARY 23 GAVE IN TO GOL ON ALL POINTS THAT WERE IN CONTENTION. HE MENTIONED, FOR EXAMPLE, THAT WYATT HAD AGREED TO A GUARANTEED 20 PERCENT RETURN ON GROSS CAPITAL (INSTEAD OF

25 PERCENT) AND A 50/50 (INSTEAD OF 51/49) EQUITY IN THE NEW REFINERY COMPANY. EDENS HAS DRAFTED A NEW AGREEMENT INCORPRATING THE FOREGOING AND OTHER POINTS NOT KNOWN TO EMBASSY FOR GOL'S CONSIDERATION. WOLF REMARKED THAT PRESIDENT TOLBERT, SUPPORTED BY HIS SON A.B. TOLBERT, STRONGLY FAVORS THE COASTAL STATES PROPOSAL.

3. IN THE THIRD RING, NEWCOMER C-E LUMMUS HAD A TECHNICAL TEAM LOOKING OVER REFINERY DURING WEEK OF JANUARY 23. C-E LUMMUS VP JEREMIAH AGNES STATED TO EMBOFF THAT HIS COMPANY FIRST HEARD OF THIS OPPORTUNITY FROM U.S. DEPT OF COMMERCE AND HAD WRITTEN TO PRESIDENT TOLBERT OFFERING ITS SERVICE. TOLBERT REPORTEDLY REFERRED MATTER TO FINANCE MINISTER PHILLIPS, WHO IMMEDIATELY TELEXED C-E LUMMUS TO SEND REP TO MONROVIA. FIRM IS NOW SCHEDULED TP PRESENT REFINERY OPERATING PROPOSAL TO GOL DURING WEEK OF FEBRUARY 6. WOLF, WHO IS CLOSE TO FINANCE MINISTER PHILLIPS, ASSERTED THAT LATTER FAVORS GOL OWNERSHIP AND OPERATION OF THE REFINERY WITH FOREIGN TECHNICAL ASSISTANCE. PHILLIPS BELIEVES THAT BY OPERATING REFINERY GOL CAN GAIN \$4 MILLION ANNUALLY.

4. COMMENT

THE DENOUNCEMENT OF THE REFINERY NEGOTIATIONS MAY FINALLY BE KNOWN BY THE END OF FEBRUARY. THE GOL WILL PROBABLY DECIDE BETWEEN THE REVISED COASTAL STATES CONCESSION AGREEMENT AND THE OPERATING PROPOSAL OF C-E LUMMUS. SUN/DYNALECTRON MAY THEN BE EXPECTED FINALLY TO REACH AGREEMENT WITH THE GOL.
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